شركة الفنادق الوطنية (ش.م.ب)

NATIONAL HOTELS COMPANY (B.S.C)

ANNUAL REPORT 2019

Contents

Board of Directors Report 2019	5
Auditors' Report	7
Statement of Financial Position as at December 31, 2019	11
Statement of Profit or Loss for the Year ended December 31, 2019	12
Statement of other Comprehensive Income for the Year ended December 31, 2019	13
Statement of Cash Flows for the Year ended December 31, 2019	14
Statement of Changes in Equity for the Year ended December 31, 2019	15
Notes to the Financial Statements for the Year ended December 31, 2019	16
Corporate Governance Report For The Year 2019	50

His Majesty
King Hamad bin Isa Al Khalifa
King of Bahrain

His Royal Highness
Prince Khalifa bin Salman Al Khalifa
The Prime Minister

His Royal Highness
Prince Salman bin Hamad Al Khalifa
The Crown Prince and Deputy
Supreme Commander
First Deputy Prime Minister

Board of Directors

Mr. Faisal A Al Zayani
Chairman

Mr. Adel N Hamadeh
Vice Chairman & Managing Director

Mr. Mishari Z Al Khalid
Director
Chairman, Audit & Corporate Governance Committee

Mr. Abdulaziz A Alisa
Director
Chairman, Executive, Nomination & Remuneration Committee

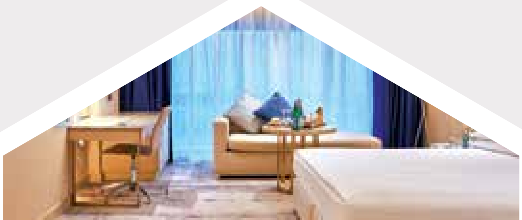
Mr. Abdulrahman A Marshad
Director

Mr. Faisal Y Almeshari
Director

Ms. Elham A Ahmed
Director

Mr. Shehab A Haji
Director

Zaher M Al-Ajjawi
Chief Executive Officer



Board of Directors Report

Board of Directors Report

Dear Shareholders,
I am pleased to present to you the Annual Report of your company for the year ended 31st December 2019. This year is of much importance to us as we conclude our first full year since the completion of renovation works to the hotel lobby and guest rooms.

The hospitality sector within the Kingdom has continued to experience steady growth in 2019, driven by the Government's efforts to increase inward travel and to the support of the sector through several initiatives spearheaded by the Bahrain Tourism & Exhibition Authority. We expect this growth to continue in the years to come, and we are excited to participate and play a pivotal role in this important sector.

We have delivered a healthy top line growth of 9% during 2019, achieving BD 7 million in Revenue on the back of a 7% year-on-year increase in Occupancy. Despite the continued pressure on the Average Room Rates (ARR) during the year, we managed to maintain a healthy ARR of BD 60. Our continued efforts to control costs while delivering competitive quality services helped us achieve a year-on-year growth of 40% in Net Profits, reaching BD 1.580 million.

Going forward, we will focus on further enhancing our services and business offerings. We also intend to further improve our service and facilities within the Hotel and Residence, and seek opportunities of growth and further revenue generation elsewhere. The highlights of 2019 results can be summed up as follows:

- Sales of the Hotel and Serviced Apartments increased by 10% compared to last year.
- The Diplomat Commercial Offices revenue increased by 1%.
- Company total Sales increased by 9%.
- Company Net Profit increased by 40%.
- Earnings per Share increased by 44%.

I am also pleased to inform you that the Company complies with the Corporate Governance Code issued by the Ministry of Industry, Commerce and Tourism. As customary, the Annual Report for the year includes the Board's Corporate Governance Report for your reference.

Dear Shareholders,
The Board of Directors, having discussed the audited Financial Statements for the year 2019, submits the following recommendations for endorsement by the Ordinary General Assembly with regard to the year 2019 profit:

1) to approve a 10% of net profit transfer to the Statutory Reserve equivalent to BD 157,992/-.
2) to declare and distribute a cash dividend of 10 fils per share, resulting in a total dividend distribution of BD 1,200,922.
3) to approve BD 156,125/- as Directors remuneration already charged as an expense in the Income Statement.
4) to approve BD 40,750/- for the support of National Institutions and Charity Accounts already charged as an expense in the Income Statement.
5) to transfer the balance of the profit of BD 221,002/- to the Retained Earnings Account.

Finally, I would like to express personally and on behalf of the Board of Directors and the Shareholders, my thanks and appreciation to His Majesty King Hamad bin Isa Al Khalifa, His Royal Highness The Prime Minister Prince Khalifa bin Salman Al Khalifa, and His Royal Highness The Crown Prince, the first Deputy Prime Minister and Commander-in-Chief of the Bahrain Defence Force Prince Salman bin Hamad Al Khalifa, for their relentless support and assistance to the Company.

I would also like to thank all the officials at Government Ministries, Organisations and our esteemed guests and customers for their continuous support. I also express my sincere gratitude to all the members of our Board for their continued insights and invaluable guidance. A special tribute is awarded to all the Company's employees, led by the Company's Chief Executive Officer, and the Executive Managers and staff of the Diplomat Radisson Blu Hotel, Residence & Spa, and the Diplomat Commercial Offices employees for their sincere efforts in serving the Company, which contributed to achieving the results of 2019.

With the Grace of God,

Faisal Ahmed Al Zayani
Chairman

Manama
13.02.2020

Independent Auditor's Report

Independent Auditor's Report To The Shareholders of NATIONAL HOTELS COMPANY BSC

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of National Hotels Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of freehold land carried at revalued amount Refer to Note 7 to the financial statements	
Key audit matter / risk	**How the key audit matter was addressed in the audit**
The freehold land represents a significant part of the total assets (16%) of the Company and is measured at fair value of BD 13,779,508 as of 31 December 2019. The valuation was carried out by an independent external appraiser engaged by the Company. Valuation of freehold land was significant to our audit due to its magnitude and complexity and the fact that it is highly dependent on a range of estimates that require significant management judgments as disclosed in Note 5 to the financial statements.	Our procedures in relation to the fair value assessment of freehold land included, among others: • Review of the valuation performed bymanagement; • Evaluation of the independent external appraiser's objectivity, independence and expertise; and • Assessment of the methodology, key assumptions and methods used by management and external appraiser in the valuation process. We also evaluated the appropriateness of the disclosures relating to the assumptions and sensitivity of such assumptions in Note 7 to the financial statements.

Independent Auditor's Report To The Shareholders of NATIONAL HOTELS COMPANY BSC

Report on the Audit of the financial statements (Continued)

Other information included in the Company's 2019 annual report

Other information consists of the information included in the Company's 2019 Annual Report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Chairman's Report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.


Independent Auditor's Report To The Shareholders of NATIONAL HOTELS COMPANY BSC

Report on the Audit of the Financial Statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

We report that:

a) as required by the Bahrain Commercial Companies Law:
   i. the Company has maintained proper accounting records and the financial statements are in agreement therewith;
   ii. the financial information contained in the Chairman's Report is consistent with the financial statements;
   iii. nothing has come to our attention which causes us to believe that the company has, during the year, breached any of the applicable provisions of the Bahrain Commercial Companies Law, or the items of its Articles of Association that would have a material adverse effect on its business or its financial position; and
   iv. satisfactory explanations and information have been provided to us by Management in response to all our requests.

b) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of Article (8) of Section (2) of Chapter (1) of the Bahrain Corporate Governance Code, we report that the Company;
   i. has appointed a Corporate Governance Officer; and
   ii. has a board approved written guidance and procedures for corporate governance.

The partner in charge of the audit resulting in this independent auditor's report is Kazim Merchant.

Ernst & Young

Partner's Registration No. 244
13 February 2020
Manama, Kingdom of Bahrain

Statements of Financial Position As at 31 December 2019

Statement of Financial Position

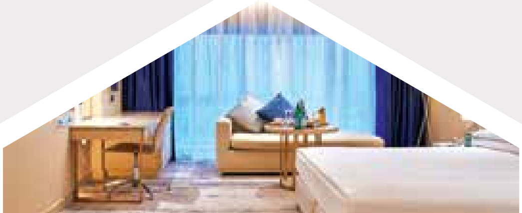
As at 31 December 2019

	Notes	2019 BD	2018 BD
ASSETS			
Non-current assets			
Property, plant and equipment	7	**34,135,204**	35,900,777
Investment properties	8	**36,798,965**	37,380,956
Investment in an associate	9	**7,995,852**	7,758,073
Investments	10	**4,741,251**	2,693,435
Total non-current assets		**83,671,272**	83,733,241
Current assets			
Inventories	11	**106,798**	76,994
Investments	10	**61,515**	2,049,470
Trade and other receivables	12	**465,104**	459,838
Bank balances and cash	13	**3,029,491**	175,108
Total current assets		**3,662,908**	2,761,410
TOTAL ASSETS		**87,334,180**	86,494,651
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**12,127,500**	11,025,000
Treasury shares	15	**(94,726)**	(94,726)
Statutory reserve	16	**5,670,492**	5,512,500
General reserve	17 (a)	**1,087,579**	1,087,579
Revaluation reserve	17 (b)	**13,391,305**	13,391,305
Investment revaluation reserve		**2,108,674**	2,060,858
Share of reserves of associate		**181,300**	102,286
Retained earnings		**49,486,128**	49,266,801
Proposed dividend	18	**1,200,922**	-
Proposed bonus shares	18	**-**	1,102,500
Total equity		**85,159,174**	83,454,103
Non-current liability			
Employees' end of service benefits	19	**303,129**	331,782
Total non-current liability		**303,129**	331,782
Current liabilities			
Trade and other payables	20	**1,871,877**	2,098,185
Bank overdraft	13	**-**	610,581
Total current liabilities		**1,871,877**	2,708,766
Total liabilities		**2,175,006**	3,040,548
TOTAL EQUITY AND LIABILITIES		**87,334,180**	86,494,651

Faisal Ahmed Al Zayani
Chairman

Adel Nahabah Hamadeh
Vice Chairman and Managing Director

The attached notes 1 to 32 form part of these financial statments



STATEMENT OF PROFIT OR LOSS

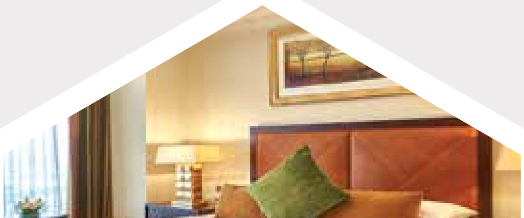
For The Year Ended 31 December 2019

	Notes	2019 BD	2018 BD
Revenue from contracts with customers	21	**5,884,215**	5,337,635
Rental income	8	**1,173,673**	1,160,517
Revenue		**7,057,888**	6,498,152
Gross operating costs	22	**(4,819,026)**	(4,521,340)
GROSS OPERATING PROFIT		**2,238,862**	1,976,812
Net investment income:			
Share of profit from an associate	9	**2,060,440**	1,611,319
Dividend income		**174,721**	171,667
Interest income		**132,929**	99,470
Fair value gain on investments at fair value through profit or loss - net	10	**12,045**	5,237
		2,380,135	1,887,693
Miscellaneous income	23	**326,105**	310,827
Depreciation	7 and 8	**(2,790,889)**	(2,092,666)
General and administration expenses		**(570,586)**	(795,895)
Financial charges		**(3,711)**	(51,394)
Loss on write-off of property, Plant & equipment	7	**-**	(109,519)
PROFIT FOR THE YEAR		**1,579,916**	1,125,858
Basic and diluted earnings per share (in fils)	25	**13**	9
Dividend per share (in fils)	18 (c)	**10**	-

Faisal Ahmed Al Zayani
Chairman

Adel Nahabah Hamadeh
Vice Chairman and Managing Director

The attached notes 1 to 32 form part of these financial statments



STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2019

	Notes	**2019** BD	2018 BD
Profit for the year		**1,579,916**	1,125,858
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Net movement in fair values of investments at fair value through other comprehensive income	10	**47,816**	235,123
Share in associate's other comprehensive income	9	**79,014**	36,895
Other comprehensive income for the year		**126,830**	272,018
Total comprehensive income for the year		**1,706,746**	1,397,876

Faisal Ahmed Al Zayani
Chairman

Adel Nahabah Hamadeh
Vice Chairman and Managing Director

The attached notes 1 to 32 form part of these financial statments

STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2019

	Notes	2019 BD	2018 BD
OPERATING ACTIVITIES			
Profit for the year		**1,579,916**	1,125,858
Adjustments for:			
Depreciation	7 and 8	**2,790,889**	2,092,666
Write-off of property, plant and equipment	7	**-**	109,519
Profit on disposals of property, plant and equipment		**(431)**	-
Share of profit from an associate	9	**(2,060,440)**	(1,611,319)
Fair value gain on investments at fair value through profit or loss - net	10	**(12,045)**	(5,237)
Dividend income		**(174,721)**	(171,667)
Interest income		**(132,929)**	(99,470)
Interest expense		**3,711**	50,715
Provision for ECLs	12	**27,666**	42,011
Provision for employees' end of service benefits	19	**52,739**	88,165
Operating profit before working capital changes		**2,074,355**	1,621,241
Working capital changes:			
Inventories		**(29,804)**	13,852
Trade and other receivables		**(105,872)**	526,080
Trade and other payables		**208,197**	(87,106)
Net cash flows from operations		**2,146,876**	2,074,067
Employees' end of service benefits paid	19	**(81,392)**	(187,789)
Directors' remuneration paid	26	**(119,500)**	(119,500)
Charitable contributions paid	20	**(44,000)**	(39,900)
Net cash flows from operating activities		**1,901,984**	1,726,878
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(704,492)**	(4,694,998)
Dividends received from an associate	9	**1,900,000**	1,600,000
Other dividends received		**174,721**	171,667
Interest received		**205,869**	99,470
Government bond proceeds		**2,000,000**	-
Investment in mudaraba		**(2,000,000)**	-
Bank deposits with maturities of more than 3 months		**(1,000,000)**	-
Net cash flows from (used in) investing activities		**576,098**	(2,823,861)
FINANCING ACTIVITIES			
Dividends paid	18	**-**	(1,091,747)
Interest paid		**(3,711)**	(64,429)
Repayments of term loan		**-**	(1,243,215)
Net cash flows used in financing activities		**(3,711)**	(2,399,391)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,474,371**	(3,496,374)
Cash and cash equivalents at 1 January		**(541,368)**	2,955,006
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**1,933,003**	(541,368)

Non-cash items:

(i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 275,314, (2018: BD 536,912) has been excluded from the movement of trade and other payables.

(ii) Assets disposed off with trade-in value of BD 7,250 were adjusted against the purchase of property, plant and equipment (2018: nil).

(iii) Restricted cash on unclaimed dividends pertaining to prior years amounting to BD 96,488 (2018: BD 105,895) with a net decrease of BD 9,407 (2018: net decrease of BD 127,148) has been excluded from the movement of trade and other payables.

The attached notes 1 to 32 form part of these financial statments

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

	Notes	Share capital BD	Treasury shares BD	Statutory reserve BD	General reserve BD	Revaluation reserve BD	Investment revaluation reserve BD	Share of reserves of associate BD	Retained earnings BD	Proposed dividend BD	Proposed bonus shares BD	Total BD
As at 1 January 2019		11,025,000	(94,726)	5,512,500	1,087,579	13,391,305	2,060,858	102,286	49,266,801	-	1,102,500	83,454,103
Effect of adoption of IFRS 16 by an associate	9	-	-	-	-	-	-	-	(1,675)	-	-	(1,675)
As at 1 January 2019 (restated)		11,025,000	(94,726)	5,512,500	1,087,579	13,391,305	2,060,858	102,286	49,265,126	-	1,102,500	83,452,428
Profit for the year		-	-	-	-	-	-	-	1,579,916	-	-	1,579,916
Other comprehensive income for the year		-	-	-	-	-	47,816	79,014	-	-	-	126,830
Total comprehensive income for the year		-	-	-	-	-	47,816	79,014	1,579,916	-	-	1,706,746
Transfer to statutory reserve	16	-	-	157,992	-	-	-	-	(157,992)	-	-	-
Proposed dividend	18	-	-	-	-	-	-	-	(1,200,922)	1,200,922	-	-
Issue of bonus shares	18	1,102,500	-	-	-	-	-	-	-	-	(1,102,500)	-
Balance at 31 December 2019		**12,127,500**	**(94,726)**	**5,670,492**	**1,087,579**	**13,391,305**	**2,108,674**	**181,300**	**49,486,128**	**1,200,922**	**-**	**85,159,174**
As at 1 January 2018		11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	1,825,735	65,391	48,140,943	1,091,747	-	83,147,974
Profit for the year		-	-	-	-	-	-		1,125,858	-	-	1,125,858
Other comprehensive income for the year		-	-	-	-	-	235,123	36,895	-	-	-	272,018
Total comprehensive income for the year		-	-	-	-	-	235,123	36,895	1,125,858	-	-	1,397,876
Dividend paid - 2017	18	-	-	-	-	-	-	-	-	(1,091,747)	-	(1,091,747)
Proposed bonus shares	18	-	-	-	(1,102,500)	-	-	-	-	-	1,102,500	-
Balance at 31 December 2018		11,025,000	(94,726)	5,512,500	1,087,579	13,391,305	2,060,858	102,286	49,266,801	-	1,102,500	83,454,103

The attached notes 1 to 32 form part of these financial statments

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1 CORPORATE INFORMATION

National Hotels Company B.S.C. (the "Company") is a public joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 1665. The address of the registered office of the Company is P.O. Box 5243, Building 59, Road 1701, Block 317, Diplomatic Area, Kingdom of Bahrain. The Company owns the Diplomat Radisson BLU Hotel (the "Hotel"), which is managed by Rezidor Hotel Company ("Rezidor") under a management agreement dated 20 July 2000 which was initially valid for 15 years. In 2007, the Company commenced the operations of its serviced apartments, which are also managed by Rezidor under a management agreement dated 6 May 2003 which was initially valid for 12 years. In 2012, the Company commenced the operations of its office towers, which are managed by the Company directly. In 2015, the management agreement of the Hotel and serviced apartments was amended to extend the management period up to 31 December 2030.

The Company operates solely in the Kingdom of Bahrain.

Associate

The Company has a 33.33% interest in African & Eastern (Bahrain) W.L.L. (2018: 33.33%). For more details, refer to note 9.

The financial statements were authorised for issue by the Board of Directors on 13 February 2020.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law, applicable requirements of the Central Bank of Bahrain Rule Book (applicable provisions of Volume 6) and rules and procedures of the Bahrain Bourse.

The financial statements are prepared under the historical cost basis except for the freehold land and investments that have been measured at fair value.

The financial statements have been presented in Bahraini Dinars (BD), which is the functional currency of the Company.

3 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations effective as of 1 January 2019

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

3 CHANGES IN ACCOUNTING POLICIES (Continued)

New and amended standards and interpretations effective as of 1 January 2019 (continued)

IFRS 16 Leases (continued)

The Company's adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company's elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Upon adoption of IFRS 16, the Company now applies a single recognition and measurement approach for all leases under which it is the lessee, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. As of the reporting date, the Company did not have any leases where it is the lessee.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on a current/non-current classification.

An asset is presented as current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is presented as current when:

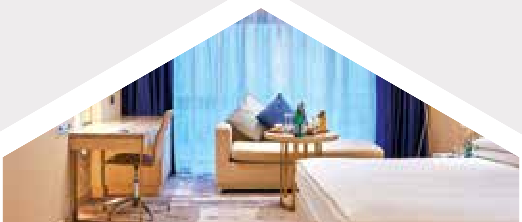
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Property, plant and equipment

Property, plant and equipment, except freehold land, is recorded at cost less accumulated depreciation and any accumulated impairment in value. Freehold land is carried at revalued amounts. Freehold land and capital work-in-progress are not depreciated.

Revaluation of freehold land is normally carried out at least once every three years. Any net surplus arising on revaluation is credited to a revaluation reserve and any decrease resulting from subsequent revaluations is charged directly against any related revaluation surplus held in respect of that same asset and the remaining portion charged as an expense. On the subsequent sale or retirement of revalued freehold land, the additional revaluation surplus is transferred to retained earnings.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

-	Buildings	25 to 40 years
-	Improvements to buildings	5 to 10 years
-	Furniture, fixtures and equipment	5 to 7 years
-	Plant and machinery	4 to 20 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the assets) is included in the statement of profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Investment properties

Investment properties, except freehold land, are recorded at cost less accumulated depreciation and any accumulated impairment in value. Freehold land is not depreciated.

Depreciation is calculated on a straight-line basis over 40 years, being the estimated useful life of buildings.

The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met, and excludes the day to day servicing of investment properties.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or losses on the retirement or disposal of investment properties are recognised in the statement of profit or loss in the year of retirement or disposal.

Investment in an associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate is accounted for using the equity method.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Investment in an associate (continued)

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Any change in other comprehensive income (OCI) of this investee is presented as part of the Company's OCI. Where there has been a change recognised directly in equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss for the year and non controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit from an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in statement of profit or loss.

Inventories
Inventories of food and beverage are stated at the lower of cost and net realisable value. Inventories of maintenance stores are stated at cost less provision for obsolescence. Costs are those expenses incurred in bringing inventories to their present location and condition and are determined on a weighted average basis.

Impairment of non - financial assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy for "Revenue from contracts with customers" later in this note.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial assets (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables and other debt instruments.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognised in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments, investment in mudaraba and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments and interest income on investment in mudaraba are also recognised in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expire; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.


NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 to 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, at amortised cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of those at amortised cost, net of directly attributable transaction costs.

The Company's all financial liabilities are currently at amortised cost and include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

At amortised cost

This is the category most relevant to the Company. After initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial liabilities (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and bank deposits with original maturity of 3 months or less, net of restricted cash.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability; or

b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

b) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair-value disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions (note 5).
- Quantitative disclosures for fair value measurement hierarchy (note 29).
- Property, plant and equipment under revaluation model (note 7).
- Investment properties (note 8).
- Investments (note 10).

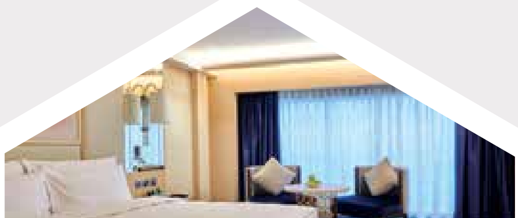
Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employees' end of service benefits

The Company provides for end of service benefits to its expatriate employees in accordance with the Bahrain Labour Law. The entitlement to these benefits is based upon the employees' final salaries and length of service. The expected costs of these benefits are accrued over the period of employment.

The Company makes contributions to the Social Insurance Organisation scheme for its national employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Employees' end of service benefits (continued)

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

The Company's contracts with customers for the sale of food and beverages generally include one performance obligation. The Company has concluded that revenue from sale of food and beverages should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the food and beverages.

(b) Room revenue

Room revenue from hotel operations represents total amounts charged to customers and guests during the period including service charges plus unbilled guests ledger at the end of the reporting period. Revenue from hotel operations is stated net of rebates and other allowances. These services are sold either separately or bundled together with the sale of food and beverages to a customer. The Company concluded that room revenue from hotel operations will be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company.

(c) Advances received from customers

Generally, the Company receives short-term advances from its customers. The Company used the practical expedient for short-term advances where the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects, at contract inception, that the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to the customer will be one year or less.

(d) Cost to obtain a contract

The Company pays sales commission to its travel agents for each contract that they obtain for guest bookings. The Company applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less. As such, sales commissions are immediately recognised as an expense and included as part of gross operating costs.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Employees' end of service benefits (continued)

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies for "Financial assets" earlier in this note.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract. (i.e., transfers control of the related goods or services to the customer).

Foreign currencies

Transactions in foreign currencies are recorded at the functional currency rate of exchange prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit and loss are also recognised in OCI or profit and loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)
Judgements (continued)

Going concern

The Board of Directors has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Identifying performance obligations

The Company determined that both the sale of goods and services are capable of being distinct and contains only one performance obligation, hence the customers can benefit from both products and services on their own. Consequently, the Company allocated the entire transaction price to the performance obligation.

(ii) Determining the timing of revenue recognition

The Company concluded that revenue from sale of goods is to be recognised at the point in time when control of the asset is transferred to the customer and revenue from services is to be recognised over time because the customers simultaneously receive and consume the benefits provided by the Company.

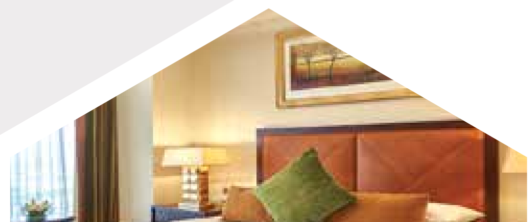
Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of trade and other receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of trade and other receivables (continued)

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 28.

At the reporting date, gross trade accounts receivable were BD 331,845 (2018: BD 220,091) and the provision for ECLs was BD 89,684 (2018: BD 62,018). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the dividend discount model and adjusted net book asset value method. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk, expected dividends and discount factor. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

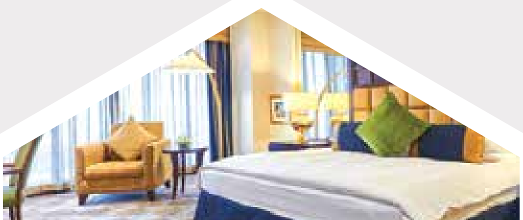
Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross food and beverage inventories were BD 71,504 (2018: BD 53,677) and general stores of BD 35,294 (2018: BD 23,317), and there was no allowance for old and obsolete inventories (2018: same). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

Revaluation of freehold land

The Company measures its freehold land at revalued amounts with changes in fair values being recognised in equity. Revaluation of freehold land is normally carried out at least once in every three years. The Company engaged an independent valuation specialist to assess the fair value of the freehold land as at 31 December 2019. The assessment of the fair value of the freehold land requires assumptions such as level of development in the area, current market trends, supply and demand of the property, as well as location, population and type of neighbourhood in the area. The Company has not recognised any revaluation adjustment on its freehold land for the current and prior year.



5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The Company has not recognised any impairment of property, plant and equipment in its statement of profit or loss for the current and prior year.

6 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company reasonably expects these standards issued to be applicable at a future date. The Company intends to adopt these standards, if applicable, when they become effective:

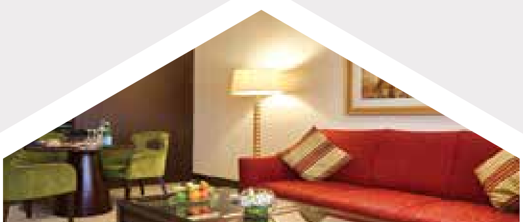
- IFRS 17 Insurance Contracts: The standard covers recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts, that was issued in 2005 (effective for annual periods beginning on or after 1 January 2021).

- Amendments to IFRS 3: Definition of a Business: In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

  Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

- Amendments to IAS 1 and IAS 8: Definition of Material: In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

  The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.




NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

7 PROPERTY, PLANT AND EQUIPMENT

	Freehold land BD	Buildings BD	Improve-ments to buildings BD	Furniture, fixtures and equip-ment BD	Plant and machinery BD	Capital work-in-progress BD	Total BD
Cost / valuation:							
At 1 January 2019	13,779,508	29,791,341	6,758,048	4,213,538	8,491,046	147,362	63,180,843
Additions	-	-	257,982	7,095	173,019	12,048	450,144
Transfer of capital work-in-progress	-	-	141,612	-	-	(141,612)	-
Disposals	-	-	-	-	(68,190)	-	(68,190)
At 31 December 2019	13,779,508	29,791,341	7,157,642	4,220,633	8,595,875	17,798	63,562,797
Accumulated depreciation:							
At 1 January 2019	-	18,221,085	1,583,241	1,781,007	5,694,733	-	27,280,066
Depreciation charge for the year	-	745,132	663,309	330,392	470,065	-	2,208,898
Relating to disposals	-	-	-	-	(61,371)	-	(61,371)
At 31 December 2019	-	18,966,217	2,246,550	2,111,399	6,103,427	-	29,427,593
Net carrying amounts:							
At 31 December 2019	**13,779,508**	**10,825,124**	**4,911,092**	**2,109,234**	**2,492,448**	**17,798**	**34,135,204**
Cost/valuation:							
At 1 January 2018	13,779,508	29,791,341	2,731,493	3,000,918	8,242,444	1,863,462	59,409,166
Additions	-	-	16,546	20,047	43,493	4,782,277	4,862,363
Transfer of capital work-in-progress	-	-	4,010,009	2,188,021	300,347	(6,498,377)	-
Relating to write-offs	-	-	-	(995,448)	(95,238)	-	(1,090,686)
At 31 December 2018	13,779,508	29,791,341	6,758,048	4,213,538	8,491,046	147,362	63,180,843
Accumulated depreciation:							
At 1 January 2018	-	17,475,949	1,315,102	2,606,132	5,353,375	-	26,750,558
Depreciation charge for the year	-	745,136	268,139	60,804	436,596	-	1,510,675
Relating to write-offs	-	-	-	(885,929)	(95,238)	-	(981,167)
At 31 December 2018	-	18,221,085	1,583,241	1,781,007	5,694,733	-	27,280,066
Net carrying amounts:							
At 31 December 2018	13,779,508	11,570,256	5,174,807	2,432,531	2,796,313	147,362	35,900,777

Freehold land was revalued on 31 December 2019 based on a valuation carried out by an independent property valuer as at 15 December 2019 using the market comparable method taking into consideration the current market conditions and past transaction prices. As per the revaluation, the value of freehold land of BD 13,779,508 (2018: BD 13,779,508) as of 31 December 2019 approximates its fair value and hence no revaluation adjustment has been charged to the revalu ation reserve [note 17 (b)].

The carrying amount of freehold land, if carried at cost, would be BD 300,000 (2018: BD 300,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Significant unobservable valuation inputs	**Range** BD
Price per square feet	75 - 100
Liquidity discount	20%-25%

Significant increases (decreases) in estimated price per square feet in isolation would result in a significantly higher (lower) fair value on a linear basis.

8 INVESTMENT PROPERTIES

	Freehold land BD	Building BD	Total BD
Cost as at 1 January 2019 and as at 31 December 2019	17,994,710	23,279,628	41,274,338
Accumulated depreciation:			
At 1 January 2019	-	3,893,382	3,893,382
Depreciation charge for the year	-	581,991	581,991
At 31 December 2019	-	4,475,373	4,475,373
Net carrying amounts:			
At 31 December 2019	**17,994,710**	**18,804,255**	**36,798,965**

	Freehold land BD	Building BD	Total BD
Cost as at 1 January 2018 and as at 31 December 2018	17,994,710	23,279,628	41,274,338
Accumulated depreciation:			
At 1 January 2018	-	3,311,391	3,311,391
Depreciation charge for the year	-	581,991	581,991
At 31 December 2018	-	3,893,382	3,893,382
Net carrying amounts:			
At 31 December 2018	17,994,710	19,386,246	37,380,956


NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

8 INVESTMENT PROPERTIES (continued)

The investment properties were valued by an independent valuer on 15 December 2019 and their fair value amounted to BD 40,322,106 (2018: BD 40,394,710) as of 31 December 2019. The fair value was measured under level 3 fair value hierarchy (note 29).

Rental income derived from investment properties amounted to BD 1,173,673 (2018: BD 1,160,517).

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

9 INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% (2018: 33.33%) interest in African & Eastern (Bahrain) W.L.L., which is incorporated in the Kingdom of Bahrain and is involved in the business of investment in bonds and shares as well as importing and selling consumer products. African & Eastern (Bahrain) W.L.L. is a private entity that is not listed on any public exchange. The Company's interest in African & Eastern (Bahrain) W.L.L. is accounted for using the equity method in the financial statements.

The movements during the year are as follows:

	2019 BD	2018 BD
At 1 January	**7,758,073**	7,709,859
Effect of adoption of IFRS 16	**(1,675)**	-
Balance at 1 January (restated)	**7,756,398**	7,709,859
Share of profit during the year	**2,060,440**	1,611,319
Dividends received during the year	**(1,900,000)**	(1,600,000)
Share in associate's other comprehensive income	**79,014**	36,895
At 31 December	**7,995,852**	7,758,073

The following table illustrates the summarised financial information of the Company's investment in African & Eastern (Bahrain) W.L.L.:

	2019 BD	2018 BD
Current assets	**9,486,084**	6,400,868
Non-current assets	**16,059,737**	17,772,067
Current liabilities	**(1,915,153)**	(1,384,164)
Non-current liabilities	**(399,090)**	(268,280)
Equity	**23,231,578**	22,520,491
Proportion of the Company's ownership	**33.33%**	33.33%
Share of the associate's net assets	**7,743,859**	7,506,080
Goodwill included within investment in the associate	**251,993**	251,993
Carrying amount of the investment	**7,995,852**	7,758,073


NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

9 INVESTMENT IN AN ASSOCIATE (continued)

	2019 BD	2018 BD
Revenue	**17,903,786**	16,444,784
Cost of sales	**(9,822,201)**	(9,650,114)
Other income	**709,326**	705,487
Administrative expenses	**(2,609,591)**	(2,666,201)
Profit for the year	**6,181,320**	4,833,956
Company's share of profit for the year	**2,060,440**	1,611,319

As at 31 December 2019, the associate had contingent liabilities arising in the ordinary course of business which includes outstanding letter of guarantee and tender cheques amounting to BD 6,750 (2018: BD 5,500).

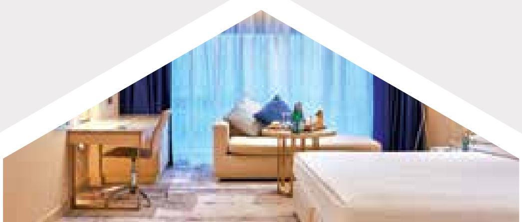
10 INVESTMENTS

	2019 BD	2018 BD
Debt instruments at amortised cost (i)	**-**	2,000,000
Equity investments at FVOCI		
Quoted equity investments (ii) (note 29)	**2,392,942**	2,346,924
Unquoted equity investments (iii) (note 29)	**348,309**	346,511
Equity investments at FVPL		
Investment in mudaraba (iv) (note 29)	**2,000,000**	-
Quoted equity investments (v) (note 29)	**61,515**	49,470
	4,802,766	4,742,905
Total current	**61,515**	2,049,470
Total non-current	**4,741,251**	2,693,435
	4,802,766	4,742,905

(i) The balance in the last year relates to Government of Bahrain Development Bonds which matured in July 2019.

(ii) The movement in the quoted equity investments at FVOCI is as follows:

	2019 BD	2018 BD
Balance at 1 January	**2,346,924**	2,147,512
Fair value gain (loss) - net for the year	**46,018**	199,412
	2,392,942	2,346,924



NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

10 INVESTMENTS (continued)

(iii) The movement in the unquoted equity investments at FVOCI is as follows:

	2019 BD	2018 BD
Balance at 1 January	**346,511**	310,800
Fair value gain - net for the year	**1,798**	35,711
	348,309	346,511

(iv) This investment represents investment in Restricted Investment Mudaraba Certificates pertaining to underlying investment in International Commodity Murabaha Financing for Corporate (Real Estate) entities with Kuwait Finance House "KFH" – Bahrain portfolio. The investment matures on 3 September 2021 and carries an interest rate of 6.5% per annum.

(iv) The movement in quoted equity investments at FVPL of BD 12,045 (2018: BD 5,237) pertains to fair value gain - net.

For fair value hierarchy of the Company's investments, refer to note 29.

11 INVENTORIES

	2019 BD	2018 BD
Food and beverages	**71,504**	53,677
General stores	**35,294**	23,317
	106,798	76,994

The amount of inventories recognised as expenditure in gross operating costs during the year amounted to BD 544,072 (2018: BD 522,264).

12 TRADE AND OTHER RECEIVABLES

	2019 BD	2018 BD
Trade receivables	**329,839**	216,914
-third parties	**2,006**	3,177
-related parties (note 26)	**(89,684)**	(62,018)
Less: Provision for ECLs	**242,161**	158,073
Accrued receivables	**74,711**	105,466
Prepaid expenses		
-third parties	**103,070**	102,877
-related parties (note 26)	**17,997**	15,894
Contract asset	**17,630**	53,733
Advances to supplier and contractors	**2,813**	19,496
Other receivables	**6,722**	4,299
	465,104	459,838

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

12 TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are non-interest bearing. Receivables relating to current guests are payable on departure. Receivables relating to other operations and corporate guests are generally due upon invoicing. For terms and conditions relating to related party receivables, refer to note 26.

As at 31 December 2019, trade receivables with a nominal value of BD 89,684 (2018: BD 62,018) were impaired. Movements in the allowance for ECLs of receivables were as follows:

	2019 BD	2018 BD
At 1 January	**62,018**	20,007
Provision for (reversal of) ECLs for the year	**27,666**	42,011
At 31 December	**89,684**	62,018

The ageing of unimpaired trade receivables and the information about the related credit exposures are disclosed in note 28.

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables except post dated cheques for a small number of receivable balances.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows consist of the following statement of financial position amounts:

	2019 BD	2018 BD
Cash on hand	**7,807**	8,013
Cash at banks	**2,021,684**	167,095
Bank deposits	**1,000,000**	-
Bank balances and cash	**3,029,491**	175,108
Bank overdraft	**-**	(610,581)
Restricted cash	**(96,488)**	(105,895)
Bank deposits with original maturities of more than 3 months	**(1,000,000)**	-
Cash and cash equivalents as per the statement of cash flows	**1,933,003**	(541,368)

Restricted cash represents a portion of unclaimed dividends and has not been included in cash and cash equivalents.

The Company has two bank overdraft facilities of BD 2 million and BD 3 million, respectively, to finance working capital requirements granted by financial institutions in the Kingdom of Bahrain. Both facilities bear interest of 3.5% per annum above one month Bahrain Interbank Offered Rate charged monthly.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14 SHARE CAPITAL

	2019 BD	2018 BD
Authorised:		
150,000,000 (2018: 150,000,000) ordinary shares of BD 0.100 each	**15,000,000**	15,000,000
Issued and fully paid:		
121,275,000 (2018: 110,250,000) shares of BD 0.100 each	**12,127,500**	11,025,000

15 TREASURY SHARES

Treasury shares represent the purchase by the Company of its own shares. As at 31 December 2019, the Company had purchased 1,182,781 shares (2018: 1,075,256 shares) with acquisition cost of BD 94,726 (2018: BD 94,726) and market value of BD 242,470 (2018: BD 301,072). These shares represents 0.98% of the total outstanding shares as at 31 December 2019 and 31 December 2018.

16. STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year has to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. The Company transferred an amount of BD 157,992 to statutory reserve during the current year (2018: nil).

17. GENERAL AND REVALUATION RESERVES

a) General reserve

The general reserve represents funds set aside for the purpose of future capital expenditure and to enhance the capital base of the Company. There are no restrictions over the distribution of this reserve.

b) Revaluation reserve

The revaluation reserve relates to the fair valuation of freehold land classified as property, plant and equipment, owned by the Company (note 7).

18 DIVIDENDS

a) Proposed and paid dividends

The Board of Directors on 13 February 2020 has proposed a cash dividend of 10 fils per share totaling BD 1,200,922 from the retained earnings (2018: nil). These appropriations are subject to the approval of the shareholders at the Annual General Meeting and other regulatory bodies.

At the annual general meeting of the shareholders held on 29 March 2018, the shareholders of the Company resolved to distribute cash dividends of 10 fils per share, relating to 2017 amounting to BD 1,091,747 which was paid on April 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

18 DIVIDENDS (continued)

b) Bonus shares

At the shareholder's annual general meeting held on 28 March 2019, the shareholders of the Company resolved to distribute bonus shares from the general reserve at 1 bonus share of each 10 shares held totaling 11,025,000 bonus shares with a nominal value of BD 1,102,500.

c) Cash dividend per share

Dividend per share is calculated by dividing the proposed dividend for the year by the number of eligible shares at the year-end, as follows:

	2019	2018
Dividend for the year in BD	**1,200,922**	-
Number of eligible shares as at 31 December	**120,092,219**	-
Dividend per share–fils	**10**	-

19 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the liability recognised in the statement of financial position in respect of employees' end of service benefits are as follows:

	2019 BD	2018 BD
Provision as at 1 January	**331,782**	431,406
Provided during the year	**52,739**	88,165
End of service benefits paid	**(81,392)**	(187,789)
Provision as at 31 December	**303,129**	331,782

20 TRADE AND OTHER PAYABLES

	2019 BD	2018 BD
Accrued expenses	**562,292**	494,782
Trade payables (note 28)	**289,856**	307,728
Retentions payable (note 28)	**275,314**	531,683
Amounts due to related parties (note 26 and 28)	**270,166**	303,053
Dividends payable (note 28)	**227,654**	237,289
Advances from customers	**89,502**	124,400
Provision for charitable contributions	**45,000**	48,250
Construction contractors payable (note 28)	**32,333**	29,401
Contract liability	**18,938**	21,599
Other payables (note 28)	**60,822**	-
	1,871,877	2,098,185

Trade payables are non-interest bearing and are normally settled within 45 days from the date of receipt of the goods or service.

20 TRADE AND OTHER PAYABLES (continued)

Movements in the provision for charitable contributions recognised in the statement of financial position are as follows:

	2019 BD	2018 BD
Provision as at 1 January	**48,250**	58,150
Amount provided during the year	**40,750**	30,000
Charitable contributions paid	**(44,000)**	(39,900)
Provision as at 31 December	**45,000**	48,250

21 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019 BD	2018 BD
Hotel Rooms	**2,363,816**	1,760,962
Food and beverages	**1,878,912**	1,788,826
Serviced apartments	**1,396,300**	1,516,266
Other departments	**245,187**	271,581
	5,884,215	5,337,635

22 GROSS OPERATING COSTS

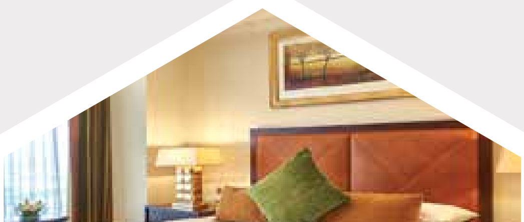
	2019 BD	2018 BD
Food and beverages	**1,201,556**	1,086,344
Room related expenses	**583,460**	573,148
Serviced apartments related expenses	**510,668**	494,601
Expenses related to office towers	**311,646**	304,974
Other operating departments	**2,211,696**	2,062,273
	4,819,026	4,521,340

An analysis of gross operating costs on the basis of nature of expenses is as follows:

	2019 BD	2018 BD
Payroll and related expenses (note 24)	**1,967,267**	1,873,416
Overhead expenses	**547,182**	536,668
Consumption of inventories	**544,072**	522,264
Utilities, insurance and taxes	**654,654**	614,526
Repairs and maintenance	**215,294**	228,927
Commission expenses	**241,640**	204,284
Management fees (note 26)	**127,259**	111,122
Sales and marketing	**135,241**	86,556
Others	**386,417**	343,577
	4,819,026	4,521,340

23 MISCELLANEOUS INCOME

	2019 BD	2018 BD
Rental income	**285,120**	259,200
Other	**40,985**	51,627
	326,105	310,827



NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

24 STAFF COSTS

The profit for the year is stated after charging staff costs as follows:

	2019 **BD**	2018 BD
Salaries and wages	**1,042,832**	1,061,782
Employees end of service benefits (note 19)	**52,739**	88,165
Contributions to the Social Insurance Organisation scheme:		
- Bahrainis	**54,780**	59,340
- Non-Bahrainis	**25,937**	20,855
Other staff expenses and benefits	**1,012,579**	1,161,100
	2,188,867	2,391,242

The staff costs has been allocated in the statement of profit or loss as follows:	**2019** **BD**	2018 BD
Gross operating costs (note 22)	**1,967,267**	1,873,416
General and administration expenses	**221,600**	517,826
	2,188,867	2,391,242

25 BASIC AND DILUTED EARNINGS PER SHARE

	2019	2018
Profit for the year - BD	**1,579,916**	1,125,858
Weighted average shares in issue - net of treasury shares (restated for bonus shares)	**120,092,219**	120,092,219
Basic and diluted earnings per share - fils	**13**	9

No separate figure for diluted earnings per share has been presented as the Company has issued no instruments that would have a dilutive effect.

26 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the associated company, major shareholders, directors and key management personnel of the Company, the operator of the hotel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

Transactions with related parties included in the statement of profit or loss are as follows:

	2019			
	Purchases BD	**Fees for management services BD**	**Other expenses BD**	**Revenue and other income BD**
Associated company	**108,425**	**-**	**-**	**848**
Management company (Rezidor)	**-**	**127,259**	**13,125**	**-**
Directors	**-**	**-**	**216,125**	**2,720**
	108,425	**127,259**	**229,250**	**3,568**


NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

26 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	2018			
	Purchases BD	Fees for management services BD	Other expenses BD	Revenue and other income BD
Associated company	69,451	-	-	2,000
Management company (Rezidor)	-	111,122	41,945	-
Directors	-	-	171,500	4,788
	69,451	111,122	213,445	6,788

Balances with related parties included in the statement of financial position (note 12 and note 20) are as follows:

	2019		2018	
	Receivables BD	**Payables BD**	Receivables BD	Payables BD
Associated company	**870**	**17,519**	-	18,318
Management company (Rezidor)	**17,997**	**96,522**	15,894	165,235
Directors	**1,136**	**156,125**	3,177	119,500
	20,003	**270,166**	19,071	303,053

Terms and conditions of transactions with related parties

Outstanding balances at the year end arise in the normal course of business and are unsecured, interest free and settlement occurs in cash, and are usually settled within 30 days. There have been no guarantees received or provided for any related party payable and receivable balances.

The directors' remuneration charged to statement of profit or loss during the year ended 31 December 2019 amounted to BD 156,125 (2018: BD 119,000) which only includes the basic fees. Further, the directors' remuneration related to year ended 31 December 2018 paid during the year amounted to BD 119,500 (2018: BD 119,500 related year ended 31 December 2017).

Compensation of key management personnel

The remuneration of key management personnel, other than directors, during the year were as follows:

	2019	2018
	BD	BD
Short-term benefits	**141,524**	138,586
Post-employment benefits	**2,022**	218,646
	143,546	357,232

27 COMMITMENTS

The Board of Directors have not authorised any future capital expenditure as of the reporting date (2018: nil).

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Company manages risk through a process of ongoing identification and monitoring of the risks it faces. The Company is exposed to interest rate risk, credit risk, liquidity risk, equity price risk and reputational risk.

Board of Directors
The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Executive committee
The executive committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Company. It is also responsible for market and liquidity risks pertaining to the Company's investment activity by optimising liquidity and maximising returns from the funds available to the Company.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's overdraft facilities with floating interest rates.

An increase in the interest rate on the outstanding overdraft facilities by 100 basis points with all other variables held constant, would have changed the profit for the year by an immaterial amount.

Credit risk

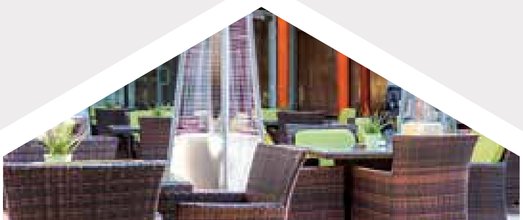
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk on certain portion of its trade and other receivables, balance with bank and investment in mudaraba. The Company places its deposits and funds with banks and investment managers having good credit ratings and they believe that the related credit risk is minimal. With regard to trade and other receivables, the Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables on an on-going basis.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

31 December 2019

		Days past due				
	Total	Less than 31 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days
	BD	BD	BD	BD	BD	BD
ECL rate		**8.85%**	**14.17%**	**16.00%**	**75.42%**	**81.40%**
Estimated total gross carrying amount at default	**331,845**	**112,325**	**76,888**	**68,770**	**38,110**	**35,752**
ECL	**89,684**	**9,941**	**10,895**	**11,003**	**28,743**	**29,102**
Net trade receivables	**242,161**	**102,384**	**65,993**	**57,767**	**9,367**	**6,650**




NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
Credit risk (continued)

31 December 2018

		Days past due				
	Total	Less than 31 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days
	BD	BD	BD	BD	BD	BD
ECL rate		9.01%	9.62%	36.60%	74.27%	89.15%
Estimated total gross carrying amount at default	220,091	93,434	62,642	15,898	7,672	40,445
ECL	62,018	8,418	6,026	5,819	5,698	36,057
Net trade receivables	158,073	85,016	56,616	10,079	1,974	4,388

The Company provides its services to a large number of customers. Its five largest customers account for 39% of outstanding trade receivables at 31 December 2019 (2018: 42%).

The Company's maximum exposure to credit risk is limited to the carrying amounts of the following financial assets:

	2019	2018
	BD	BD
Investments (note 10)	**4,802,766**	4,742,905
Trade receivables - net (note 12)	**242,161**	158,073
Contract asset (note 12)	**17,630**	53,733
Other receivables (note 12)	**6,722**	4,299
Bank balances and cash (note 13)	**3,029,491**	175,108
	8,098,770	5,134,118

Liquidity risk

Liquidity risk (also referred to as funding risk), is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Company limits its liquidity risk by ensuring bank facilities are available and monitoring cash flows on an on-going basis. The Company's terms of billing require amounts to be paid within 30 days of billing. Trade payables are normally settled within 45 days from the date of invoice. The Company's cash flows from operations are normally adequate to meet expected liquidity requirements.


NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates.

	Less than 3 months BD	**3 to 12 months BD**	**1 to 5 years BD**	**Total BD**
31 December 2019				
Retentions payable (note 20)	**275,314**	**-**	**-**	**275,314**
Dividends payable (note 20)	**227,654**	**-**	**-**	**227,654**
Trade payables (note 20)	**-**	**289,856**	**-**	**289,856**
Amounts due to related parties (note 20 and 26)	**-**	**270,166**	**-**	**270,166**
Construction contractors payable (note 20)	**-**	**32,333**	**-**	**32,333**
Other payables (note 20)	**-**	**60,822**	**-**	**60,822**
Total	**502,968**	**653,177**	**-**	**1,156,145**

	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	Total BD
31 December 2018				
Retentions payable (note 20)	531,683	-	-	531,683
Dividends payable (note 20)	237,289	-	-	237,289
Trade payables (note 20)	-	307,728	-	307,728
Amounts due to related parties (note 20 and 26)	-	303,053	-	303,053
Construction contractors payable (note 20)	-	29,401	-	29,401
Total	768,972	640,182	-	1,409,154

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

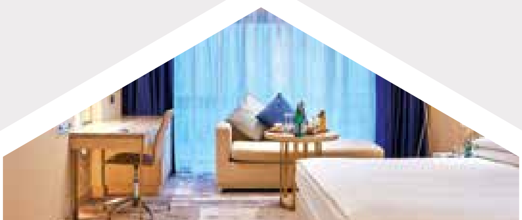
The Company's transactions are mainly in Bahraini Dinars and United Stated Dollars. The Company is not exposed to significant currency risk as the Bahraini Dinar is pegged to the United States Dollar.

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

The Company controls equity price risk by diversifying its investments.

All of the Company's quoted investments are traded in Gulf Co-operation Council (GCC) markets. One of the Company's own investments accounts for 50% of the total investments as of 31 December 2019 (2018: 49%).



28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant.

	Change in equity price 2019 BD	**Effect on equity 2019 BD**	**Effect on profit 2019 BD**	Change in equity price 2018 BD	Effect on equity 2018 BD	Effect on profit 2018 BD
Equity investments at FVOCI	**+20%**	**548,250**	**-**	+20%	538,687	-
	-20%	**(548,250)**	**-**	-20%	(538,687)	-
Equity investments at FVPL	**+20%**	**-**	**12,303**	+20%	-	9,894
	-20%	**-**	**(12,303)**	-20%	-	(9,894)

The Company also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, then the statement of profit or loss will be impacted.

Reputational risk

The Company manages reputational risk through regular monitoring of operations, ensuring that customers' feedback on the products and services offered is regularly received and acted upon, mystery guest processes and other forms of customer satisfaction surveys.

Capital management

For the purpose of the Company›s capital management, equity includes share capital, treasury shares, statutory reserve, general reserve, revaluation reserve, investment revaluation reserve, share of reserves of associate, retained earnings, proposed bonus shares and proposed dividends.

The primary objective of the Company›s capital management strategy is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value and run its operations with funds generated from operations and maintain a low level of borrowings.

In order to achieve this overall objective, the Company›s capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing term loan in the current or previous period.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders.

No changes were made in the objectives, policies or processes during the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio below 25%. The Company includes within net debt, interest bearing loans and borrowing, trade and others payables, less cash and cash equivalents.

	2019	2018
	BD	BD
Trade and other payables (note 20)	**1,871,877**	2,098,185
Cash and cash equivalents (note 13)	**(1,933,003)**	541,368
Net debt	**(61,126)**	2,639,553
Total capital (total equity)	**85,159,174**	83,454,103
Capital and net debt	**85,098,048**	86,093,656
Gearing ratio	**-0.1%**	3.1%

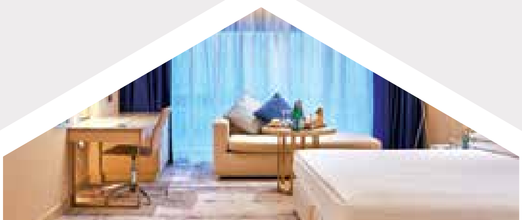
29 FAIR VALUE MEASUREMENT

Financial instruments comprises of financial assets and financial liabilities.

Financial assets consist of cash at banks, bank deposits, a certain portion of trade and other receivables and investments. Financial liabilities consist of a certain portion of trade and other payables and bank overdraft.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities as at 31 December 2019 and 31 December 2018 which are measured at fair value:

		Fair value measurement using			
31 December 2019	**Date of valuation**	**Quoted prices in active markets (Level 1) BD**	**Significant observable inputs (Level 2) BD**	**Significant unobservable inputs (Level 3) BD**	**Total BD**
Assets measured at fair value:					
Investments at FVOCI	**31 December 2019**	**2,392,942**	**-**	**348,309**	**2,741,251**
Investments at FVPL	**31 December 2019**	**61,515**	**-**	**2,000,000**	**2,061,515**
Revalued freehold land	**15 December 2019**	**-**	**-**	**13,779,508**	**13,779,508**




NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

29 FAIR VALUE MEASUREMENT (continued)

		Fair value measurement using			
31 December 2018	Date of valuation	Quoted prices in active markets (Level 1) BD	Significant observable inputs (Level 2) BD	Significant unobservable inputs (Level 3) BD	Total BD
Assets measured at fair value:					
Equity investments at FVOCI	31 December 2018	2,346,924	-	346,511	2,693,435
Equity investments at FVPL	31 December 2018	49,470	-	-	49,470
Revalued freehold land	19 December 2018	-	-	13,779,508	13,779,508

During the years ended 31 December 2019, and 31 December 2018, there have been no transfers between Level 1, Level 2 and Level 3.

There was no movement in the revalued freehold land as of 31 December 2019 (2018: same) which is under Level 3 fair value hierarchy. For fair value hierarchy and disclosure of fair value information for assets for which fair value is required to be disclosed, refer to note 8.

The management assessed that the fair values of cash and bank balances, deposits, trade and other receivables, trade and other payables and bank overdraft approximate their carrying amounts largely due to the short-term maturities of these instruments. These are all classified within level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

30 SEGMENT INFORMATION

The Company's operating businesses are organised into the following segments:

Hotel business and corporate	-	Room rental, food and beverage sales, conference and events, and head office expenses.
Office Towers	-	Office rental from two commercial towers.
Investments	-	Income from investments including associate, held-for-trading investments, available-for-sale investments and term deposits.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Segment assets include all operating assets used by a segment and consist primarily of property, plant and equipment, inventories, investments and accounts receivable. Whilst the majority of the assets can be directly attributed to individual business segments, the carrying amounts of certain assets used jointly by two segments is allocated to segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued liabilities.

	Hotel business and corporate		Office towers		Investments		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	BD	BD	**BD**	BD	**BD**	BD	**BD**	BD
Revenue from contracts with customers	**5,884,215**	5,337,635	**-**	-	**-**	-	**5,884,215**	5,337,635
Rental income	**-**	-	**1,173,673**	1,160,517	**-**	-	**1,173,673**	1,160,517
Gross operating costs	**(4,507,380)**	(4,216,366)	**(311,646)**	(304,974)	**-**	-	**(4,819,026)**	(4,521,340)
Gross operating profit	**1,376,835**	1,121,269	**862,027**	855,543	**-**	-	**2,238,862**	1,976,812
Net investment income	**-**	-	**-**	-	**2,380,135**	1,887,693	**2,380,135**	1,887,693
Miscellaneous income	**326,105**	310,827	**-**	-	**-**	-	**326,105**	310,827
Depreciation	**(1,929,187)**	(1,229,038)	**(861,702)**	(863,628)	**-**	-	**(2,790,889)**	(2,092,666)
General and administration expenses	**(570,586)**	(795,895)	**-**	-	**-**	-	**(570,586)**	(795,895)
Financial charges	**(3,711)**	(40,910)	**-**	(10,484)	**-**	-	**(3,711)**	(51,394)
Loss on write-off of property, plant and equipment	**-**	(109,519)	**-**	-	**-**	-	**-**	(109,519)
(Loss) profit for the year	**(800,544)**	(743,266)	**325**	(18,569)	**2,380,135**	1,887,693	**1,579,916**	1,125,858
Total assets	**32,225,674**	34,577,149	**39,280,397**	39,241,416	**15,828,109**	12,676,086	**87,334,180**	86,494,651
Total liabilities	**2,059,290**	2,926,076	**115,716**	114,472	**-**	-	**2,175,006**	3,040,548
Capital expenditure	**450,144**	4,862,363	**-**	-	**-**	-	**450,144**	4,862,363

All of the sales and profit from the hotel business and office towers are earned in the Kingdom of Bahrain and investment income is earned from GCC countries including the Kingdom of Bahrain.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

31 SHAREHOLDERS' INFORMATION

a) The names and nationalities of the major shareholders, holding more than 5% of issued share capital of the Company and the number of shares held by them are as follows:

		2019		2018	
Names	**Nationality**	**No. of shares**	**%**	No. of shares	%
Kuwait Investment Authority	Kuwaiti	**39,827,884**	**32.84%**	36,207,168	32.84%
Social Insurance Organization (Pension) - Civil & Military	Bahraini	**38,989,471**	**32.15%**	35,444,975	32.15%
Kuwait Investment Company	Kuwaiti	**25,399,330**	**20.94%**	23,090,302	20.94%

b) Distribution of share capital is as follows:

Category			
As of 31 December 2019:	**No. of shares**	**No. of shareholders**	**% of total outstanding share capital**
Less than 1%	**10,070,623**	**3,952**	**8.30%**
1% up to less than 5%	**5,804,911**	**3**	**4.79%**
5% up to less than 10%	**-**	**-**	**0.00%**
10% up to less than 20 %	**-**	**-**	**0.00%**
20% up to less than 50%	**104,216,685**	**3**	**85.93%**
	120,092,219	**3,958**	**99.02%**
Treasury shares	**1,182,781**	**1**	**0.98%**
	121,275,000	**3,959**	**100%**
As of 31 December 2018:			
Less than 1%	9,177,999	3,990	8.32%
1% up to less than 5%	5,254,300	3	4.77%
5% up to less than 10%	-	-	0.00%
10% up to less than 20 %	-	-	0.00%
20% up to less than 50%	94,742,445	3	85.93%
	109,174,744	3,996	99.02%
Treasury shares	1,075,256	1	0.98%
	110,250,000	3,997	100%

Directors ownership interest

Mr. Faisal Ahmed Al Zayani (Chairman of the Company) holds 239,552 (31 December 2018: 217,775) shares in the Company as at 31 December 2019 representing 0.20% (31 December 2018: 0.20%) holding in the Company.

32 SOCIAL RESPONSIBILITY

The Company discharges its social responsibilities through corporate donations and sponsorships on projects and organisations aiming at social sustainable development and relief.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

1 Actions taken to complete the Corporate Governance Code

The Corporate Governance code issued by the Ministry of Industry, Commerce and tourism on 28th March 2019 (as amended) forms the cornerstone that the National Hotels Company (BSC) (or the "Company") adopts in conducting its daily commercial transactions, while adhering the laws of the Kingdom of Bahrain

The Corporate Governance code governs the relationship between the Company and its shareholders, Board of Directors, Executive Management, Employees and other parties (such as customers, legal bodies, suppliers and all individuals or corporates with whom the company transacts).

Implementing astute Corporate Governance is an important component of the company's construct and hence the Company ensures that all the transactions with all involved parties are conducted in a responsible and safe manner at all times.

In addition and in an effort to make the Company's shares attractive investment option for the existing shareholders and new investors alike, the Company adopts a clear and transparent communication with all of its shareholders at all times.

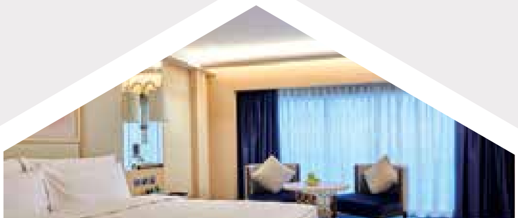
In doing so, the Company's management periodically announces the results of its operations transparently and accurately in line with the requirement of the Corporate Governance Code and International Accounting Standards, in addition to the prevailing laws of the Kingdom of Bahrain.

Further to the above, the Company complies with the requirement of the Corporate Governance Code and ensures compliance with best international practice.

This report reflects in a clear and transparent manner the Company's compliance with and implementation of the Corporate Governance Code content for the financial year 2019.

2 Dealings of the Directors, and their relatives in the Company's Shares

There were no dealings conducted (sale / purchase) in the Company's shares by the members of the Board of Directors, their spouses or their children during the year.

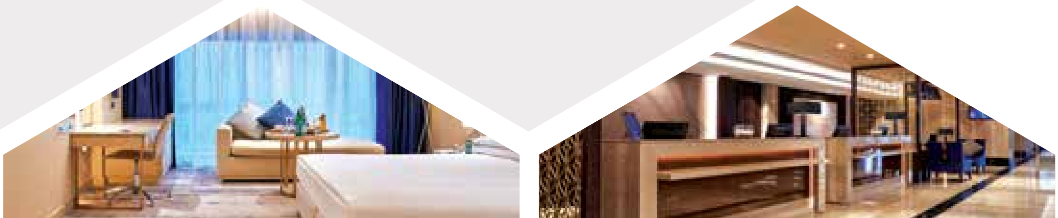



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

3 Composition of the Board

A. Current Board of Directors composition:

No.	Name	Type (executive, non-executive and independent)	Experience and Qualifications	The duration of his term as a director of the company starting from the date of his first election or appointment		Directorships and positions in any other companies	Positions in any other key regulatory, government or commercial entities.
				From	To		
1	**Faisal Ahmed Al Zayani**	Independent / non-executive	• A reputable Businessman in the Kingdom of Bahrain • He holds a PhD in Management.	30/4/1983	31/3/2021	NIL	NIL
2	**Adel Nuhaba Hamada**	Non-executive	• Currently serving as the Director of Investment Accounting Department at the Kuwait Investment Authority. • Has extensive experience in the Business Management. • Held several positions in the Presidential Positions including General Manager of Yousif Mohammed Al Shaya Group, Director of Financial Affairs, Director of Purchasing and Warehousing Department, Director of Internal Audit Department, General Revenue Controller and Head of Cost and Budget Accounts at various periods in Kuwait Public Transport Company. • Held the position of Senior Accountant at Kuwait Real Estate Investment Group. • Holds a Bachelor of Commerce degree from the University of Kuwait and a Master's degree in management and management accounting from Kens College of Business, London.	28/3/2018	31/3/2021	NIL	NIL
3	**AbdulAziz Abdullah Alisa**	Non-executive	• Currently serving as the Executive Director of Legal Affairs and Secretary of the Board of Directors of the Social Insurance Authority. • Holds a Basic Supervision Diploma from the University of Bahrain and a Bachelor of Law from the University of Beirut.	29/3/2013	31/3/2021	NIL	NIL
4	**Meshari Zaid Al Khalid**	Non-executive	• Currently serving General Manager of Al-Khalid International Group, Kuwait. • Has extensive experience in the Business Management. • Held several key positions, including; a General Manager of the Kuwait Real Estate Investment Group, Chairman and Managing Director of Safat Real Estate Company, Executive Committee member of the Egyptian Gulf Bank and the Kuwait-Egypt Investment Company. • Holds a Bachelor's Degree in Commerce from the college of Business Administration, Cairo University.	27/3/2002	31/3/2021	NIL	NIL

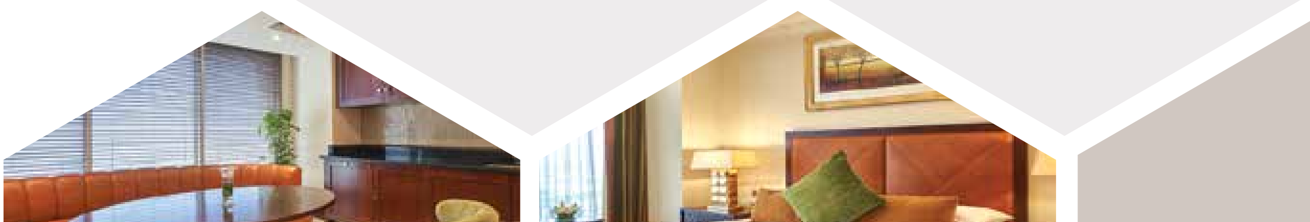


CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

3 Composition of the Board (continued)

A. Current Board of Directors composition: (contunued)

No.	Name	Type (executive, non-executive and independent)	Experience and Qualifications	The duration of his term as a director of the company starting from the date of his first election or appointment		Directorships and positions in any other companies	Positions in any other key regulatory, governmental or commercial entities.
				From	To		
5	**Faisal Yousif Al Meshari**	Non-executive	• Currently serving Assistant General Manager for Investment and corporate Finance at the Kuwait Investment Company. • Senior Manager within the Business Development Department at the Kuwait Investment Company. • Held the position of Financial Analyst at Kuwait and Middle East Financial Investment Company. • Holds a Bachelor's Degree in finance from the Administrative Sciences College - University of Kuwait.	28/3/2018	31/3/2021	NIL	NIL
6	**Elham Adel Ahmed**	Non-executive	• Senior Investment manager within the strategic investments department at Osool Asset Management BSC©. • Held the position of Financial Analyst at Bahrain National Holding Company. • Held the position of financial analyst at Ithmaar Development Company. • A Chartered Financial Analyst (CFA) and a holder of a Bachelor's Degree in Banking and Finance from the University of Bahrain.	28/3/2018	31/3/2021	NIL	NIL
7	**Shehab Ahmed Haji**	Non-executive	• Currently works as an investment manager in the General Reserve Sector at the Kuwait Investment Authority. • Held several positions in various banking fields, most notably the position of Relationship Officer at Gulf Bank in Kuwait. • Holds a Bachelor's Degree in financing and management of financial institutions - the College of Administrative Sciences from the University of Kuwait.	28/3/2018	31/3/2021	NIL	NIL



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

3 Composition of the Board (continued)

8	**Abdulrahman Ali Marshad ***	Non-executive	• Held the Position of Chief Executive Officer at National Hotels Company B.S.C. (1979 to 2017) • Has extensive experience in the Hospitality sector and assets management field for more than 35 years.	28/3/2019	31/3/2021	NIL	NIL

***At the beginning of 2020, Mr. Abdulrahman Marshad met the requirements for Independence as stipulated in Corporate Governance Code.**

B. Description of the following:

1. The directors remuneration for the past year (2018) was BD 119,500.
2. The total remuneration of the directors proposed for the current year (2019) is BD 156,125, which will be presented at the Annual General Meeting for approval.
3. The following is a list of the attendance fees of the committees of the Directors for the financial year 2019:

		Attendance allowances for committees of the Board		
No.	**Name**	**Name of Committee**	**Value of the allowance (Bahraini Dinar)**	**Number of meetings**
1	Abdulaziz Abdullah Alisa	Executive, Nomination & Remuneration Committee	750 /-	5
2	Adel Nuhaba Hamada	Executive, Nomination & Remuneration Committee	750 /-	5
3	Faisal Yousif Al Meshari	Executive, Nomination & Remuneration Committee	750 /-	5
4	Meshari Zaid Al Khalid	Audit & Corporate Governance Committee	750 /-	5
5	Abdulrahman Ali Marshad	Audit & Corporate Governance Committee	750 / -	4
6	Elham Adel Ahmed	Audit & Corporate Governance Committee	750 /-	5
7	Shehab Ahmed Haji	Audit & Corporate Governance Committee	750 /-	5

C. Meetings of the Board of Directors:

In accordance with the Company's Articles of Association, the Company is required to hold at least four Board meetings annually. During the year ended 31 December 2019, the Board of Directors of the Company held six meetings to follow up on its activities and to direct the executive management. The following table summarizes the information about the dates and member attendance of those meetings.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

3 Composition of the Board (continued)

Board of Directors Meeting Schedule:

Meeting Number	Date of Invitation	Date of the meeting	Attendance **	Number of Absence
1	29/1/2019	14/2/2019	7	-
2	28/3/2019	28/3/2019	8	-
3	4/4/2019	18/4/2019	8	-
4	19/6/2019	18/7/2019	8	-
5	22/9/2019	17/10/2019	8	-
6	21/11/2019	12/12/2019	8	-

** All attended in person, and the video communication was not used.

D. Duties or competences carried out on its behalf by the Executive Management:

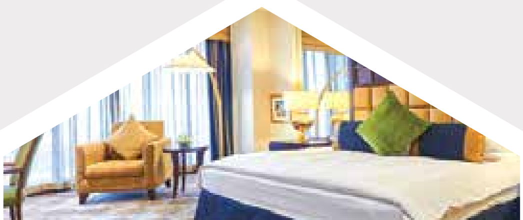
There were no Board of Directors specific tasks of assignments that have been carried out by the Executive Management, based on the basis of a mandate from the Board.

E. Details of transactions with related parties (stakeholders), indicating the nature of relationship and type of transaction

Related parties represent the associated company, major shareholders, directors and key management personnel of the Company, the operator of the hotel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors. The following table shows the transactions made with related parties during the year, indicating the nature of the relationship and the type of deal.

Transactions with related parties included in the statement of profit or loss are as follows:

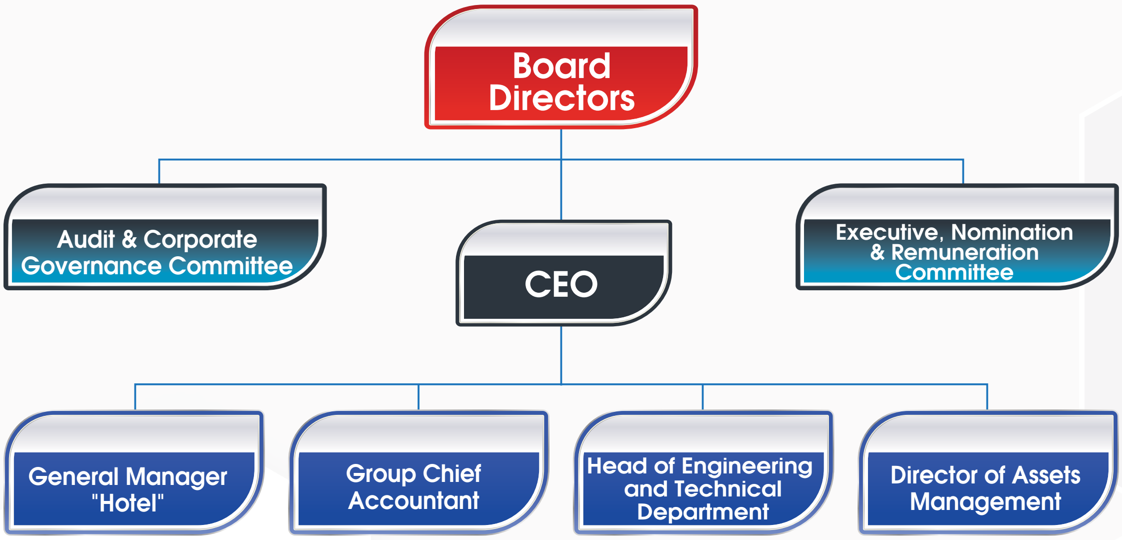
Related parties	Purchases	Fees for Management services	Other expenses	Revenue and other income
	Bahraini Dinar			
Associate company	108,425	-	-	848
Management Company (Rezidor)	-	127,259	13,125	-
Directors	-	-	216,125	2,720
Total	**108,425**	**127,259**	**229,250**	**3,568**

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

3 Composition of the Board (continued)

F. Organizational structure highlighting the Company's first and second tier of the executive management



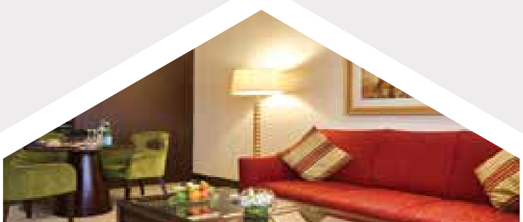
G. Total remunerations paid to the key executive officers during the financial year (2019) amounted to 316,372/- Bahraini Dinar.

4 External Auditor

Upon a recommendation from the Board of Directors, the Ordinary General Assembly at its meeting held on 28/3/2019 reappointed Ms. Ernst & Young as the external auditor of the Company for the financial year ended 31/12/2019, at agreed fee 15,000 BD, which includes the review of data quarterly for the period.

Ms. Ernst & Young have been the external auditor of the company since 2002. The external auditor has submitted an unqualified openion for the year 2019 to the Ordinary General Assembly held on 26/3/2020.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), the Commercial Companies Law of the Kingdom of Bahrain and the directives and regulations issued by the Central Bank of Bahrain.



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

4 External Auditor (continued)

The table below highlights the External Auditor's details:

Name of Audit firm	**Ernst & Young**
Years of service as the company's external auditor	**18 years**
The partner's years of service as the partner in charge of the company's audit	**Mr. Isa Al-Jowder**
Total audit fees for the financial statements for the year 2019 (BD)	**15,000/- BD**
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2019 if any. In the absence of such fees, this shall be expressly stated.	**There are no other fees paid to the Auditor**

5 Audit & Corporate Governance Committee

The role of the Audit & Corporate Governance Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Audit & Corporate Governance Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the Company's expense, such legal, accounting or other advisers, consultants or experts, as it considers necessary from time to time in the performance of its duties. The Committee held five meetings during the year, and the following table highlights the details and the attendance of the committee members for these meetings.

Audit Committee Attendance Table :

No.	Name	Position	Number of meetings attended	Dates of meetings held				
				14/02/2019	17/04/2019	17/07/2019	16/10/2019	11/12/2019
1	Meshari Zaid Al Khalid	Chairman of the Audit & Corporate Governance Committee	5	✓	✓	✓	✓	✓
2	Abdulrahman Ali Marshad	Member	4	×	✓	✓	✓	✓
3	Elham Adel Ahmed	Member	5	✓	✓	✓	✓	✓
4	Shehab Ahmed Haji	Member	5	✓	✓	✓	✓	✓

6 Nomination and Remuneration Committee (NRC)

The Board of Directors decided to assign the roles and responsibilities of the Nomination and Remuneration Committee to the Executive Committee. The Committee resumed its duties and conducted its meetings during 2019.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

7 Corporate Governance Officer

The Board of Directors has assigned the role of Corporate Governance Officer to the Chief Executive Officer since with the Company in 2019. The following is the resume of the Corporate Governance Officer is as follows:

Mr. Zaher Mohammed Al-Ajjawi has held many key positions during his professional career mainly in the field of accounting, finance and banking. Through his work in international organizations in the United States, the United Kingdom and the UAE, he has acquired many executive and operational skills in banking, investment and real estate sectors. In addition, he has represented a number of companies on the boards and committees of several companies, banks and funds, which gained him considerable experience in the field of corporate governance. Mr. Zaher has participated in many investment conferences and international trade forums, and has attended several training and professional courses, including a project management plan course (PMP) and financial analysis.

Mr. Al Ajjawi holds a Master's degree in Finance (with Honors) from DePaul University in the USA and a Bachelors of science in Accounting (with Honors) from the University of Bahrain. He is also a Certified Public Accountant (CPA) from the State of Illinois, USA.

Mr. Zaher can be contacted on the following numbers : 17530838 -17530839 or e-mail : zalajjawi@nhcbahrain.com

8 Irregularities committed during the Financial Year

No irregularities have been committed during the financial year 2019.

9 Cash and in kind contributions for the Charity society

The company provided many cash contributions to different charities and national establishment reaching a total of BD 44,000/- . The Company maintains the details of these donations and details of the receiving parties within its records.

10 Shareholders information

A. The following table shareholder Company's distribute by type of shareholder as of 31 December 2019:

No.	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organisations	Total
1	Local	12.29%	1.73%	32.15%	46.17%
2	Arab	-	0.05%	53.78%	53.83%
3	Foreign	-	-	-	-
4	**Total**	**12. 29 %**	**1.78%**	**85.93%**	**100%**

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

10 Shareholders information (contuned)

B. The following table highlights the shareholders with a holding of 5% or more in the Company's share capital, with the name of the natural person / owner of the stock / final beneficiary, as at 31/12/2019:

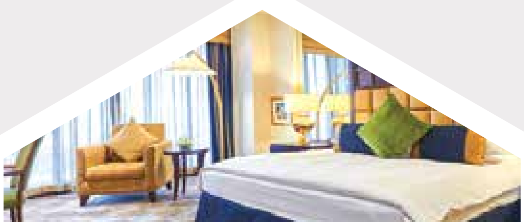
No.	Name	No. of shares held	Shareholding %	Name of the natural person, the final beneficiary
1	**Kuwait Investment Authority**	39,827,884	32.84%	Government of Kuwait
2	**Social Insurance Organisation**	38,989,471	32.15 %	Government of the Kingdom of Bahrain
3	**Kuwait Investment Company**	25,399,330	20.94 %	Government of Kuwait

C. The following table highlights the shareholder distribution by size of ownership as at 31/12/2019:

No.	Distribution of ownership Stock	Number of shareholders	Number of shares owned	Percentage of shares owned by the capital
1	< 50,000	3,928	3,725,771	3.07%
2	50,000 to 500,000	28	6,454,434	5.32%
3	500,000 to 5,000,000	5	7,821,096	6.45%
4	> 5,000,000	3	103,273,699	85.16%
Total		**3,964**	**121,275,000**	**100.00%**

D. The significant events that occurred during the year 2019

Nil.



CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

11 Compliance with the provisions of Corporate Governance Code:

Principle	Non-compliant	partially Compliant	Fully compliant	Explanation in case of non-compliance
Principle 1: The Company shall be headed by an effective, qualified and expert board.			✓	
Principle 2: The directors and executive management shall have full loyalty to the Company.			✓	
Principle 3: The Board shall have rigorous controls for financial audit and financial reporting, Internal control and compliance with law.			✓	
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors			✓	
Principle 5: The Company remunerate directors and senior officers fairly and responsibly.			✓	
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			✓	
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.			✓	
Principle 8: The Company shall disclose its corporate governance.			✓	
Principle 9: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			✓	
Principle 10: The Company shall seek, through social responsibility, to exercise its role as a good citizen.			✓	

12 Any other disclosures required by the regulatory authorities.

There were no other disclosures required by the regulatory authorities with highlighting for the year.

*****